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Livestock and Products

U.S. pork exports to the EU increasing despite EU oversupply situation

2007

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Report Highlights:

U.S. pork exports to the EU are increasing strongly as they benefit from a weak dollar vis-à-vis the Euro and simplified EU quota administration rules. The paradox is that these increased exports occur in an EU pork oversupply situation and while the EC approved a scheme to temporarily remove pork from the EU market. EU pork producers are suffering from uncompetitive export conditions and high feeding costs.

Includes PSD Changes: No
Includes Trade Matrix: No
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[E4]

An increasing price differential, mostly as a result of an increasing U.S. dollar/Euro exchange rate in recent months, is contributing to increased exports of U.S. pork to the EU.

[Commission Regulation No 1301/2006](#) laying down new common rules for the administration of tariff quotas for agricultural products and new specific administration rules for the Europe Agreement quota in [Commission Regulation No 806/2007](#), and for the U.S. specific pork quota in [Commission Regulation No 812/2007](#) have also enhanced U.S. pork exports by simplifying licensing application procedures.

While EU pork imports already increased by more than 50 percent in the first half of 2007 compared to 2006, the pace of EU pork imports accelerated after the summer of 2007 with a year on year increase of 70 percent. U.S. pork exports to the EU in August 2007 increased more than 2.5 fold.

EU-25 Pork Imports¹							
	Jan-Jun 2006	Jan-Jun 2007	Change	July 2007	Change	August 2007	Change
World	6765	10519	55%	2176	27%	2939	70%
<i>of which from</i>							
United States	2858	4187	46%	675	20%	1447	161%
Chile	2583	4853	88%	1163	32%	1118	38%

Source: Global Trade Atlas

Quota fill rates			
	Available quota in MT	Fill 06/07 in MT	Applications first half 07/08 in MT
U.S. specific TRQ	4722	1866	844
G2	35265	8156	9111
G3	5000	1507	649
G4	3002	0	0
G5	6161	0	0
G6	15067	0	0
G7	5535	184	381

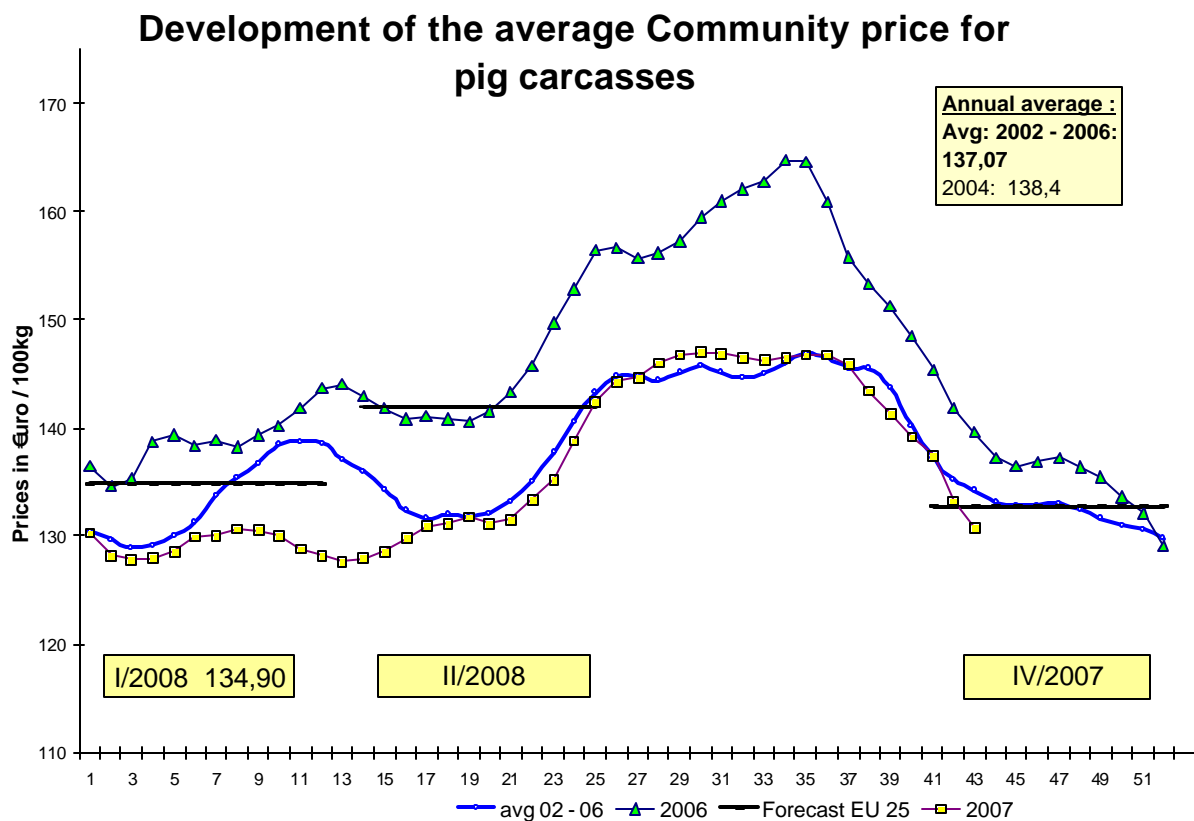
Source: DGAgri

A Paradox?

The increase in EU pork imports occurs at a time of European domestic oversupplies and decreasing exports as European pork loses competitiveness. The latest European census numbers indicate an increase in European pig numbers of 1.9 percent in 2007 compared to 2006. Significant increases are reported in Denmark, Germany, Spain and The Netherlands, with Poland demonstrating the largest decrease. EU pork production in 2007 is forecast to increase by 2 percent, despite a 2 percent decrease in pig slaughter in the last quarter. Since the European Commission (EC) opened a Private Storage Aid scheme for pork at the end of October 2007, a total of 85,000 MT of pork was temporarily withdrawn from the market by 13 European Member States (MS). Pork producers in EU MS continue to press their governments to request further market relief from the EC. Because Private Storage Aid is helping little for the restoration of EU pork export competitiveness, the return of export refunds for raw pork could be decided at the next EC Management Committee meeting.

¹ A comparison at EU-27 level is not possible because of the complete halt to pork imports into Romania from third countries upon Romania's accession to the EU on January 1, 2007.

However, European pork prices on the domestic market are still at the 5-year average level. It is the increase in production costs that have turned European pork production at a loss as feed costs increased 30-50 percent.



Source: DGAgri

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